

**REPORT OF THE AUDIT OF THE
BOURBON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Donnie Foley, Bourbon County Judge/Executive
Members of the Bourbon County Fiscal Court

The enclosed report prepared by Cotton and Allen, P.S.C., Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Cotton and Allen, P.S.C. to perform the audit of these financial statements. We worked closely with the firm during our report review process; Cotton and Allen, P.S.C. evaluated the Bourbon County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
BOURBON COUNTY FISCAL COURT**

June 30, 2009

Cotton and Allen, P.S.C. has completed the audit of the Bourbon County Fiscal Court for the fiscal year ended June 30, 2009. They have issued unqualified opinions on the governmental activities, the business - type activities, each major fund, and the aggregate remaining fund information of Bourbon County, Kentucky.

In accordance with OMB Circular A-133, they have issued a qualified opinion on the compliance requirements that are applicable to Bourbon County's major federal program: Highway Planning and Construction (CFDA #20.205).

Financial Condition:

The fiscal court had unrestricted net assets of \$3,052,725 in its governmental activities as of June 30, 2009, with total net assets of \$16,625,441. The fiscal court had total debt principal as of June 30, 2009 of \$7,196,155 with \$556,155 due within the next year.

Report Comments:

- 2009-01 The Fiscal Court Should Review Its IT Systems And Ensure That Appropriate Safeguards Are In Place To Ensure The Continued Security Of The Fiscal Court's Data
- 2009-02 The Fiscal Court Does Not Have A Policy Or Procedure To Match Jail Fund Cash Receipts To Invoices
- 2009-03 The Jailer Did Not Maintain An Adequate Cash Disbursements Journal, Properly Reconcile The Bank Account, Or Provide An Annual Financial Statement To The Treasurer As Required By The Fiscal Court And Kentucky Statute
- 2009-04 Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For
- 2009-05 Bank Reconciliations For All Funds And Accounts Of The County Should Be Reviewed By An Individual Independent Of The Preparer
- 2009-06 The Fiscal Court Is Not Paying All Invoices Within 30 Days Of Receipts As Required By Kentucky Statute
- 2009-07 The Fiscal Court Should Implement Procedures To Ensure Compliance With The Davis-Bacon Act
- 2009-08 The Fiscal Court Does Not Have A Procedure In Place To Formally Monitor Sub-Recipients
- 2009-09 The Fiscal Court Does Not Have A Policy And Procedure In Place To Ensure That A Contractor Has Not Been Suspended Or Debarred

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT.....	1
BOURBON COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	35
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS.....	24
NOTES TO FINANCIAL STATEMENTS.....	26
BUDGETARY COMPARISON SCHEDULES	44
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	47
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	49
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	55
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	62
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	63
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	66
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	65
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	68

APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Donnie Foley, Bourbon County Judge/Executive
Members of the Bourbon County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bourbon County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Bourbon County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows where applicable thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Government Accounting Standards Board ("GASB") has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The Budgetary Comparison Information on pages 43 through 45 is not a required part of the basic financial statement but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Budgetary Comparison Information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
 Honorable Steven L. Beshear, Governor
 Jonathan Miller, Secretary
 Finance and Administration Cabinet
 Honorable Donnie Foley, Bourbon County Judge/Executive
 Members of the Bourbon County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bourbon County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements on pages 48 through 57, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2009, on our consideration of Bourbon County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying Schedule of Findings and Questioned Costs, included herein, which discusses the following report comments:

- 2009-01 The Fiscal Court Should Review Its IT Systems And Ensure That Appropriate Safeguards Are In Place To Ensure The Continued Security Of The Fiscal Court's Data
- 2009-02 The Fiscal Court Does Not Have A Policy Or Procedure To Match Jail Fund Cash Receipts To Invoices
- 2009-03 The Jailer Did Not Maintain An Adequate Cash Disbursements Journal, Properly Reconcile The Bank Account, Or Provide An Annual Financial Statement To The Treasurer As Required By The Fiscal Court And Kentucky Statute
- 2009-04 Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For
- 2009-05 Bank Reconciliations For All Funds And Accounts Of The County Should Be Reviewed By An Individual Independent Of The Preparer
- 2009-06 The Fiscal Court Is Not Paying All Invoices Within 30 Days Of Receipts As Required By Kentucky Statute
- 2009-07 The Fiscal Court Should Implement Procedures To Ensure Compliance With The Davis-Bacon Act
- 2009-08 The Fiscal Court Does Not Have A Procedure In Place To Formally Monitor Sub-Recipients
- 2009-09 The Fiscal Court Does Not Have A Policy And Procedure In Place To Ensure That A Contractor Has Not Been Suspended Or Debarred

Respectfully submitted,



Cotton and Allen, P.S.C.
 Certified Public Accountants and Advisors

November 18, 2009

BOURBON COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Donnie R. Foley	County Judge/Executive
Mark Offutt	Magistrate
Marion Dawson	Magistrate
Barry L. Hay	Magistrate
Martha Overly	Magistrate
Donald R. McCarty	Magistrate
Cecil Foley	Magistrate
John N. Smoot	Magistrate

Other Elected Officials:

Dorothy M. Mastin	County Attorney
Tony Horn	Jailer
Richard S. Eads	County Clerk
Doug Fain	Circuit Court Clerk
Mark L. Matthews	Sheriff
Woodford Wayne Turner	Property Valuation Administrator
Rosemary Kitchen	Coroner

Appointed Personnel:

Mary Allen Hedges	County Treasurer
Mary Allen Hedges	Occupational Tax Collector
Lucia Sparks	Finance Officer

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BOURBON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

BOURBON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 3,256,552	\$ 20,139	\$ 3,276,691
Permanently Restricted Assets:			
Cash and Cash Equivalents	352,349		352,349
Bonds - Government	462,144		462,144
Bonds - Corporate	1,451,773		1,451,773
Mutual Funds - Fixed	583,485		583,485
Mutual Funds - Equity	1,447,804		1,447,804
Mutual Funds - Taxable	352,847		352,847
Common Stock	1,044,603		1,044,603
Total Current Assets	<u>8,951,557</u>	<u>20,139</u>	<u>8,971,696</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	856,877		856,877
Buildings	9,866,535		9,866,535
Other Equipment	752,996		752,996
Vehicles and Equipment	280,920		280,920
Infrastructure Assets	3,112,711		3,112,711
Total Noncurrent Assets	<u>14,870,039</u>		<u>14,870,039</u>
Total Assets	<u>23,821,596</u>	<u>20,139</u>	<u>23,841,735</u>
LIABILITIES			
Current Liabilities:			
Revenue Bonds	235,000		235,000
General Obligation Bonds	245,000		245,000
Financing Obligations	76,155		76,155
Total Current Liabilities	<u>556,155</u>		<u>556,155</u>
Noncurrent Liabilities:			
Revenue Bonds	3,600,000		3,600,000
General Obligation Bonds	3,040,000		3,040,000
Total Noncurrent Liabilities	<u>6,640,000</u>		<u>6,640,000</u>
Total Liabilities	<u>7,196,155</u>		<u>7,196,155</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,673,884		7,673,884
Restricted For:			
Capital Projects	202,291		202,291
Permanent Fund	5,695,005		5,695,005
Debt Service	1,536		1,536
Unrestricted	3,052,725	20,139	3,072,864
Total Net Assets	<u>\$ 16,625,441</u>	<u>\$ 20,139</u>	<u>\$ 16,645,580</u>

The accompanying notes are an integral part of the financial statements.

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BOURBON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

BOURBON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,621,491	\$ 92,712	\$ 1,553,068	\$
Protection to Persons and Property	2,490,099	490,739	257,734	21,790
General Health and Sanitation	760,594	9,441		648,543
Social Services	479,706			
Recreation and Culture	419,233	15,925		
Roads	1,337,550		1,025,490	590,346
Debt Service	282,222			
Total Governmental Activities	<u>9,390,895</u>	<u>608,817</u>	<u>2,836,292</u>	<u>1,260,679</u>
Business-type Activities:				
Jail Canteen	155,239	134,245		
Total Business-type Activities	<u>155,239</u>	<u>134,245</u>		
Total Primary Government	<u>\$ 9,546,134</u>	<u>\$ 743,062</u>	<u>\$ 2,836,292</u>	<u>\$ 1,260,679</u>

General Revenues:

Taxes:

Real Property Taxes
Occupational and Net Profits Taxes
Motor Vehicle Taxes
Other Taxes

Excess Fees

Miscellaneous Revenues

Investment Income

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated - Note 9)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,975,711)	\$	\$ (1,975,711)
(1,719,836)		(1,719,836)
(102,610)		(102,610)
(479,706)		(479,706)
(403,308)		(403,308)
278,286		278,286
(282,222)		(282,222)
(4,685,107)		(4,685,107)
	(20,994)	(20,994)
	(20,994)	(20,994)
(4,685,107)	(20,994)	(4,706,101)
1,190,757		1,190,757
2,030,056		2,030,056
212,320		212,320
231,018		231,018
544,837		544,837
135,700		135,700
230,692		230,692
4,575,380		4,575,380
(109,727)	(20,994)	(130,721)
16,735,168	41,133	16,776,301
\$ 16,625,441	\$ 20,139	\$ 16,645,580

The accompanying notes are an integral part of the financial statements.

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BOURBON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

BOURBON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	John Marston Educational Fund
ASSETS				
Cash and Cash Equivalents	\$ 2,353,656	\$ 195,947	\$ 8,090	\$
Cash and Cash Equivalents - Non-Expendable Trust				129,383
Bonds - Government				155,000
Bonds - Corporate				478,043
Mutual Funds - Fixed				
Mutual Funds - Equity				245,887
Mutual Funds - Taxable Common Stock				458,089
Total Assets	<u>2,353,656</u>	<u>195,947</u>	<u>8,090</u>	<u>1,466,402</u>
FUND BALANCES				
Reserved for:				
Encumbrances	2,217	2,040	6,138	
Permanent Funds				1,466,402
Unreserved:				
General Fund	2,351,439			
Special Revenue Funds		193,907	1,952	
Capital Projects Fund				
Debt Service Fund				
Total Fund Balances	<u>\$ 2,353,656</u>	<u>\$ 195,947</u>	<u>\$ 8,090</u>	<u>\$ 1,466,402</u>

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

Clifton Gillespie Fund	Public Properties Corporation Courthouse Bonds Fund	Public Properties Corporation Bond Proceeds Fund	Non- Major Governmental Funds	Total Governmental Funds
\$	\$ 202,291	\$ 1,536	\$ 495,032	\$ 3,256,552
46,719			176,247	352,349
61,786			245,358	462,144
650,552			323,178	1,451,773
			583,485	583,485
			1,201,917	1,447,804
			352,847	352,847
586,514				1,044,603
1,345,571	202,291	1,536	3,378,064	8,951,557
1,345,571			36	10,431
			2,883,032	5,695,005
				2,351,439
			494,996	690,855
	202,291			202,291
		1,536		1,536
\$ 1,345,571	\$ 202,291	\$ 1,536	\$ 3,378,064	\$ 8,951,557

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 8,951,557
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	19,097,722
Accumulated Depreciation	(4,227,683)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(76,155)
Bonds	(7,120,000)
Net Assets Of Governmental Activities	\$ 16,625,441

The accompanying notes are an integral part of the financial statements.

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BOURBON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BOURBON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Jail Fund	John Marston Educational Fund
REVENUES				
Taxes	\$ 3,664,043			
Excess Fees	544,837			
Licenses and Permits	78,466			
Intergovernmental	1,326,794	1,025,490	606,661	
Charges for Services	15,925		34,699	
Miscellaneous	86,492	2,848	60,158	
Investment Income	13,683	4,801	191	54,043
Total Revenues	<u>5,730,240</u>	<u>1,033,139</u>	<u>701,709</u>	<u>54,043</u>
EXPENDITURES				
General Government	1,589,226			
Protection to Persons and Property	1,006,412		1,310,302	
General Health and Sanitation	743,193	17,401		
Social Services	211,794			7,467
Recreation and Culture	406,435			
Roads		660,035		
Debt Service	377,344			
Capital Projects		671,952		
Administration	912,838	201,237	248,404	
Total Expenditures	<u>5,247,242</u>	<u>1,550,625</u>	<u>1,558,706</u>	<u>7,467</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>482,998</u>	<u>(517,486)</u>	<u>(856,997)</u>	<u>46,576</u>
Other Financing Sources (Uses)				
Transfers From Other Funds		100,000	853,000	(51,070)
Transfers To Other Funds	(953,000)			
Total Other Financing Sources (Uses)	<u>(953,000)</u>	<u>100,000</u>	<u>853,000</u>	<u>(51,070)</u>
Net Change in Fund Balances	(470,002)	(417,486)	(3,997)	(4,494)
Fund Balances - Beginning	2,823,658	613,433	12,087	1,470,896
Fund Balances - Ending	<u>\$ 2,353,656</u>	<u>\$ 195,947</u>	<u>\$ 8,090</u>	<u>\$ 1,466,402</u>

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Clifton Gillespie Fund	Public Properties Corporation Courthouse Bonds Fund	Public Properties Corporation Bond Proceeds Fund	Non- Major Governmental Funds	Total Governmental Funds
			\$	\$ 3,664,043
				544,837
				78,466
		380,134	1,214,039	4,553,118
				50,624
			9,890	159,388
51,862	2,024	27	104,061	230,692
51,862	2,024	380,161	1,327,990	9,281,168
			1,524	1,590,750
			56,527	2,373,241
				760,594
57,806			202,639	479,706
				406,435
			512,192	1,172,227
		380,350		757,694
			50,000	721,952
			718,573	2,081,052
57,806		380,350	1,541,455	10,343,651
(5,944)	2,024	(189)	(213,465)	(1,062,483)
(51,530)			154,540	1,004,940
			(51,940)	(1,004,940)
(51,530)			102,600	
(57,474)	2,024	(189)	(110,865)	(1,062,483)
1,403,045	200,267	1,725	3,488,929	10,014,040
\$ 1,345,571	\$ 202,291	\$ 1,536	\$ 3,378,064	\$ 8,951,557

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

BOURBON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -
MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ (1,062,483)
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Amounts Reported for Governmental Activities in the Statement of Activities
Are Different Because:

Governmental Funds Report Capital Outlays as Expenditures. However, in the
Statement of Activities the Cost of those Assets Is Allocated Over Their
Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	1,069,389
Depreciation Expense	(584,195)
Disposal of Capital Assets	(7,910)

The issuance of long-term debt (e.g. bonds, financing obligations)
provides current financial resources to government funds while
Lease and Bond Principal Payments Are Expensed in the Governmental Funds
as a Use of Current Financial Resources. These transactions, however, have no
effect on net assets.

Financing Obligations Principal Payments	5,472
Bond Principal Payments	<u>470,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (109,727)</u></u>
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BOURBON COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

BOURBON COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	Business-Type Activity	
	Enterprise Fund	
	Jail Canteen Fund	
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 20,139	
Total Assets	<u>20,139</u>	
Net Assets		
Unrestricted	20,139	
Total Net Assets	<u><u>\$ 20,139</u></u>	

The accompanying notes are an integral part of the financial statements.

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BOURBON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BOURBON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activity Enterprise Fund
	Jail Canteen Fund
Revenues	
Total Revenues	\$ 134,245
Expenses	
Educational and Recreational	10,848
Inmate Refund	13,507
Other Expenses	130,884
Total Expenses	155,239
Operating Loss	(20,994)
Change In Net Assets	(20,994)
Total Net Assets - Beginning (Restated- Note 9)	41,133
Total Net Assets - Ending	\$ 20,139

The accompanying notes are an integral part of the financial statements.

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BOURBON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BOURBON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activity <hr/> Enterprise Fund <hr/>
	Jail Canteen Fund <hr/>
Cash Flows From Operating Activities and/or Noncapital Financing Activities	
Revenues	\$ 134,245
Educational and Recreational	(10,848)
Inmate Refund	(13,507)
Other Expenses	(130,884)
Net Decrease in Cash and Cash Equivalents	(20,994)
Cash and Cash Equivalents - July 1, 2008	41,133
Cash and Cash Equivalents - June 30, 2009	\$ 20,139

The accompanying notes are an integral part of the financial statements.

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BOURBON COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

Agency Fund

**Jail
Inmate
Fund**

16,320

16,320

\$ 0

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	26
NOTE 2.	DEPOSITS AND INVESTMENTS.....	33
NOTE 3.	CAPITAL ASSETS.....	36
NOTE 4.	LONG-TERM DEBT	37
NOTE 5.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS.....	39
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	40
NOTE 7.	DEFERRED COMPENSATION	40
NOTE 8.	INSURANCE	40
NOTE 9.	PRIOR PERIOD ADJUSTMENT	41
NOTE 10.	CONTINGENCIES.....	41

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences and other accruals, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Bourbon County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board ("GASB") Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Bourbon County Public Properties Corporation

The Bourbon County Public Properties Corporation cannot be sued in its own name without recourse to the Bourbon County Fiscal Court, which appoints a voting majority consisting of fiscal court members and the County Attorney. The Fiscal Court is able to impose its will on the Corporation, as the Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as an agent in the acquisition and financing of any public project. The Fiscal Court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the Fiscal Court. This component unit is blended within Bourbon County's financial statements as the Public Properties Corporation Courthouse Bonds Fund and the Public Properties Corporation Bond Proceeds Fund.

C. Bourbon County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Bourbon County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Bourbon County, Kentucky.

Additional – Bourbon County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and modified cash basis of accounting and report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1, following the assessment and subject to lien and sale February 1, following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

John Marston Educational Fund - This fund was established by the will and codicil of John Marston. The will imposed that the funds be held in perpetuity, which means that the original principal amount remain intact. The primary purpose of this fund is to account for income generated by the principal. The income less applicable administrative costs is to be spent for educational scholarships. The county has a committee, appointed by the County Judge/Executive, that decides how the money shall be disbursed based on applications received by the County Judge/Executive's office.

Clifton Gillespie Fund - This fund was established by the will and codicil of Clifton Gillespie. The will imposed that the funds be held in perpetuity, which means that the original principal amount remain intact. The primary purpose of this fund is to provide financial assistance with hospitals to indigent residents of Bourbon County. The County Judge/Executive decides who shall receive assistance from this fund by applications submitted. Each eligible person is limited to \$2,000.

Public Properties Corporation Courthouse Bonds Fund - The Public Properties Corporation Fund accounts for the activities of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to complete renovations on the courthouse. The Department for Local Government does not require the fiscal court to report or budget these funds.

Public Properties Corporation Bond Proceeds Fund - The Public Properties Corporation Fund accounts for the activities of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to construct/finance a judicial center. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grant Fund, Wright House Fund, Phase I Fund, Health and Welfare Fund, Educational Trust Checking Fund, E.M. Costello Fund, Garth Fund, Thomas Costello Fund, Hamilton Fund, Robert Meteer Fund, Lucy Anderson Fund, Harrell-Kennedy Fund, Elaine Hinkle Fund, Lou Redmon Fund, Howard Forquer Fund, May Goff Fund, Talbott Clay Fund, Frances Champ Fund, FM Gillespie Fund and the Ella Davis Fund. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Special Revenue Funds

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grant Fund, Wright House Fund, Phase I Fund, Health and Welfare Fund, Educational Trust Checking Fund and the educations and other trust funds are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Proprietary Funds

Proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to inmates for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The government has elected not to adopt Financial Accounting Standards Board ("FASB") Statements or Interpretations issued after November 30, 1989, unless the Government Accounting Standards Board ("GASB") specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Inmate Account Fund - This fund accounts for funds received from the inmates.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation ("FDIC") or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, non-depreciable land improvements, depreciable land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	25,000	10-75
Other Equipment	2,500	3-25
Vehicles and Equipment	2,500	3-25
Infrastructure	25,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Health and Welfare Fund, educational and other trust funds or the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Health and Welfare Fund, educational and other trust funds or the Jail Canteen Fund to be budgeted because the Fiscal Court does not approve expenses from these funds.

J. Related Organization and Joint Venture

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Judy Water Association is considered a related organization of Bourbon County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Paris-Bourbon County Economic Development Authority is considered a joint venture of the Bourbon County Fiscal Court.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits and Investments

A. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation ("FDIC") as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

B. Investments

As of June 30, 2009, the County had the following investments:

I. Cash

	<u>Cost</u>
Cash	\$ 6,076
Money Market	346,273
Total Cash	<u>\$ 352,349</u>

II. Investments

	<u>Cost</u>				
	<u>< 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>11-15 Years</u>	<u>16-20 Years</u>
Fixed Income Investments:					
Corporate Bonds	\$ 674,947	\$ 428,601	\$ 348,225	\$	
Government Bonds	155,000	86,692	49,179	89,718	81,555
Other Bonds		583,485			
Total:	<u>\$ 829,947</u>	<u>\$ 1,098,778</u>	<u>\$ 397,404</u>	<u>\$ 89,718</u>	<u>\$ 81,555</u>
Other Investments:					
Common Stock	\$ 1,044,603				
Mutual Funds	1,800,651				
Total:	<u>2,845,254</u>				
Total Investments	<u>\$ 5,342,656</u>				

Interest Rate Risk. The County does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Credit Risk. KRS 66.480 limits the County's investments in the following:

- Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government.
- Certificates of Deposit issued by or other interest-bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity.
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency.
- Bankers' acceptances for bank's rate in one of the three highest categories by a nationally recognized rating agency.
- Commercial paper rated in the highest category by a nationally recognized agency.
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency.
- Shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments.

Also, the County is limited to investing no more than 20% in any one of four specifically mentioned investments as allowed by KRS 66.480. The County had no investment policy that would further limit its investment choices. In general, certificates of deposit are not subject to investment credit risk. See the chart below for credit ratings for each individual investment type.

Investments and Credit Ratings

	AAA	BAA	B	Unrate	Cost
Fixed Income Investments:					
Corporate Bonds	\$	\$ 1,451,773	\$	\$	\$ 1,451,773
Government Bonds	462,144				462,144
Other Bonds	583,485				583,485
Common Stock			1,044,603		1,044,603
Mutual Funds				1,800,651	1,800,651
Total Investments	<u>\$ 1,045,629</u>	<u>\$ 1,451,773</u>	<u>\$ 1,044,603</u>	<u>\$ 1,800,651</u>	<u>\$ 5,342,656</u>

Concentration of Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. See the chart below for investments that exceed five percent or more of the total investments for the County.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Concentration of Credit Risk:	Cost	Concentration %
Fixed Income Investments:		
Corporate Bonds	\$ 1,451,773	27%
Government Bonds	462,144	9%
Other Bonds	583,485	11%
Common Stock	1,044,603	20%
Mutual Funds	1,800,651	34%
Total:	\$ 5,342,656	100%

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments held in the possession of an outside party. The County does not have an investment policy for custodial credit risk. As of June 30, 2009, the County's investments were not exposed to custodial credit risk.

Current Economic Conditions. The credit and liquidity crisis during the year ended June 30, 2009 in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on the County's investment portfolios. As a result, certain of the County's investments have incurred a decline in fair value such that their current market value at June 30, 2009 is below their cost.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity		
	Beginning Balance	Increases	Decreases
Primary Government:			
<u>Governmental Activities:</u>			
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 856,877	\$	\$
Construction In Progress	7,910		(7,910)
Total Capital Assets Not Being Depreciated	864,787		(7,910)
Capital Assets, Being Depreciated:			
Buildings and Improvements	11,425,291	132,046	
Other Equipment	1,418,080	172,426	
Vehicles and Equipment	1,183,663	42,965	
Infrastructure	3,144,422	721,952	
Total Capital Assets Being Depreciated	17,171,456	1,069,389	
Less Accumulated Depreciation For:			
Buildings and Improvements	(1,490,751)	(200,051)	
Other Equipment	(706,126)	(131,384)	
Vehicles and Equipment	(886,267)	(59,441)	
Infrastructure	(560,344)	(193,319)	
Total Accumulated Depreciation	(3,643,488)	(584,195)	
Total Capital Assets, Being Depreciated, Net	13,527,968	485,194	
Governmental Activities Capital Assets, Net	<u>\$ 14,392,755</u>	<u>\$ 485,194</u>	<u>\$ (7,910)</u>
			<u>\$ 14,870,039</u>

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 157,334
Protection to Persons and Property	164,971
Recreation and Culture	17,401
Roads, Including Depreciation of General Infrastructure Assets	<u>244,489</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 584,195</u>

The county has elected not to report infrastructure assets retroactively; therefore, only infrastructure costs incurred since implementation of GASB 34 in fiscal year 2004 to present are reflected as a capital asset. Future infrastructure asset expenditures will be capitalized and expensed according to the capitalization policy adopted by the Fiscal Court.

Note 4. Long-term Debt

A. Promissory Term Note Agreement

During fiscal year ended June 30, 1998, the Bourbon County Public Properties Corporation entered into a promissory term note agreement with Community Ventures Corporation for the purchase and renovation of a manufacturing facility. The Public Properties Corporation was obligated to pay \$131,500 in principal payments over seven years, beginning in 1997 and ending in 2004. On November 15, 2004, the Public Properties Corporation refinanced this promissory term note, with an obligation to pay \$98,656 in principal payments over sixty (60) months, beginning December 15, 2004, with a balloon payment scheduled to be made at the end of the note. As of June 30, 2009, the outstanding principal balance of this note was \$76,155.

Fiscal Year Ended June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	<u>\$ 76,155</u>	<u>\$ 1,959</u>

B. First Mortgage Revenue Bonds, Series 2006 (Court Facilities Project)

On December 1, 2006, the Bourbon County Public Properties Corporation issued First Mortgage Revenue Bonds, Series 2006, in the amount of \$4,260,000 for the purpose of the defeasance of the 2000 Series Bonds, along with paying the associated costs of issuing the bond. Of this amount, \$4,174,938 was placed in an escrow account to pay the 2000 bonds upon eligible maturity (beginning on or after February 1, 2011). Principal and interest payments are due February 1, beginning in 2009, and interest, which varies from 3.4% to 4.0%, is payable semiannually on February 1 and August 1, beginning February 1, 2007. As of June 30, 2009, the principal balance was \$3,835,000.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

B. First Mortgage Revenue Bonds, Series 2006 (Court Facilities Project) (Continued)

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2010	\$ 235,000	\$ 142,530
2011	245,000	134,540
2012	255,000	125,964
2013	260,000	117,040
2014	275,000	107,940
2015-2019	1,530,000	382,405
2020-2023	<u>1,035,000</u>	<u>82,660</u>
Totals	<u>\$3,835,000</u>	<u>\$1,093,079</u>

On December 1, 2006, Bourbon County entered into a lease agreement with the Administrative Office of the Courts (AOC), which states that AOC agrees to pay 100% of the debt service requirements. The lease does not require Bourbon County to make any rental payments toward the project; however, Bourbon County is obligated to provide operation, maintenance, insurance and repair of the project.

The bonds are secured by a foreclosable first mortgage lien on the property and an assignment by the Bourbon County Public Properties Corporation of its rights, title and interest in the lease with AOC.

C. General Obligation Public Project Bonds, Series 2006 (Courthouse Renovations I)

On October 1, 2006, the Bourbon County Public Properties Corporation issued \$2,000,000 of General Obligation Public Project Bonds, Series 2006, for the purpose of renovating the courthouse. Principal payments are due biannually on August 1, beginning in 2007, and interest, which varies from 3.5% to 3.75%, is payable semi-annually on August 1 and February 1, beginning on February 1, 2007. As of June 30, 2009, the outstanding principal balance was \$1,660,000.

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2010	\$ 180,000	\$ 56,695
2011	185,000	50,308
2012	195,000	43,658
2013	200,000	36,645
2014	210,000	29,265
2015-2017	<u>690,000</u>	<u>68,518</u>
Totals	<u>\$1,660,000</u>	<u>\$ 285,089</u>

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

D. General Obligation Public Project Bonds, Series 2007 (Courthouse Renovations II)

On February 1, 2007, the Bourbon County Public Properties Corporation issued \$1,750,000 in General Obligation Public Project Bonds, Series 2007, for the purpose of paying additional costs relating to courthouse renovations. Principal payments are due annually on February 1, beginning in 2009, and interest, which varies from 3.625% to 3.85%, is payable semi-annually on August 1 and February 1, beginning August 1, 2007. As of June 30, 2009, the outstanding principal balance was \$1,625,000.

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2010	\$ 65,000	\$ 61,662
2011	65,000	59,290
2012	70,000	56,918
2013	70,000	54,362
2014	75,000	51,808
2015-2019	415,000	215,034
2020-2024	505,000	129,170
2025-2027	360,000	28,104
Totals	<u>\$1,625,000</u>	<u>\$ 656,348</u>

F. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Primary Government:				
<u>Governmental Activities:</u>				
Revenue Bonds	\$4,065,000	\$ 230,000	\$3,835,000	\$ 235,000
General Obligation Bonds	3,525,000	240,000	3,285,000	245,000
Financing Obligations	<u>81,627</u>	<u>5,472</u>	<u>76,155</u>	<u>76,155</u>
Governmental Activities				
Long-term Liabilities	<u>\$7,671,627</u>	<u>\$ 475,472</u>	<u>\$7,196,155</u>	<u>\$ 556,155</u>

Note 5. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$4,946 in interest on financing obligations and \$277,276 in interest on bonds.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Employee Retirement System

The Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The County's contribution rate for nonhazardous employees was 13.50 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The County's contribution rate for hazardous employees was 29.50 percent. These actuarially determined rates are established and amended by the Board of Trustees of CERS and were equal to the required contribution for the year. The contribution requirements and the amounts contributed to CERS were \$411,863, \$452,051, and \$345,324, respectively for the years ended June 30, 2007, 2008, and 2009.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124 or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

The Bourbon County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at 502-573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2009, Bourbon County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Prior Period Adjustment

Net Assets - Beginning (Business-Type Activities), on the Statement of Activities have been decreased to reflect adjustments discovered during the 2009 fiscal year audit. Prior reporting errors of \$2,500 decrease beginning net assets of business-type activities.

Note 10. Contingencies

There are lawsuits and claims pending against the County which may arise during the normal course of business. The County is a defendant in lawsuits and claims arising from, among other things, wrongful termination and wrongful arrest and search. Although the aggregate amount asserted in such lawsuits and claims is significant, Fiscal Court management believes that the ultimate outcome of these matters, after insurance proceeds, will not have a significant effect on the financial position or changes in financial position of the funds of the County.

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 3,160,420	\$ 3,160,420	\$ 3,664,043	\$ 503,623
Excess Fees	568,475	1,109,575	544,837	(564,738)
Licenses and Permits	67,700	67,700	78,466	10,766
Intergovernmental Revenue	5,084,996	5,138,732	1,326,794	(3,811,938)
Charges for Services	15,000	15,000	15,925	925
Miscellaneous	101,298	101,298	86,492	(14,806)
Interest	80,000	80,000	13,683	(66,317)
Total Revenues	<u>9,077,889</u>	<u>9,672,725</u>	<u>5,730,240</u>	<u>(3,942,485)</u>
EXPENDITURES				
General Government	2,401,085	3,063,724	1,589,226	1,474,498
Protection to Persons and Property	1,022,429	1,111,994	1,006,412	105,582
General Health and Sanitation	3,910,274	3,789,119	743,193	3,045,926
Social Services	257,573	257,828	211,794	46,034
Recreation and Culture	599,657	563,306	406,435	156,871
Debt Service	380,408	380,408	377,344	3,064
Administration	2,149,586	2,149,469	912,838	1,236,631
Total Expenditures	<u>10,721,012</u>	<u>11,315,848</u>	<u>5,247,242</u>	<u>6,068,606</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,643,123)</u>	<u>(1,643,123)</u>	<u>482,998</u>	<u>2,126,121</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(656,877)</u>	<u>(656,877)</u>	<u>(953,000)</u>	<u>(296,123)</u>
Total Other Financing Sources (Uses)	<u>(656,877)</u>	<u>(656,877)</u>	<u>(953,000)</u>	<u>(296,123)</u>
Net Changes in Fund Balance	(2,300,000)	(2,300,000)	(470,002)	1,829,998
Fund Balance - Beginning	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,823,658</u>	<u>523,658</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,353,656</u>	<u>\$ 2,353,656</u>

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,047,079	\$ 1,047,079	\$ 1,025,490	\$ (21,589)
Miscellaneous	600	600	2,848	2,248
Interest	18,000	18,000	4,801	(13,199)
Total Revenues	1,065,679	1,065,679	1,033,139	(32,540)
EXPENDITURES				
General Health and Sanitation	35,000	35,000	17,401	17,599
Roads	779,727	769,412	660,035	109,377
Capital Projects	530,000	676,440	671,952	4,488
Administration	311,952	275,827	201,237	74,590
Total Expenditures	1,656,679	1,756,679	1,550,625	206,054
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(591,000)	(691,000)	(517,486)	173,514
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			100,000	100,000
Total Other Financing Sources (Uses)			100,000	100,000
Net Changes in Fund Balance	(591,000)	(691,000)	(417,486)	273,514
Fund Balance - Beginning	591,000	591,000	613,433	22,433
Fund Balance - Ending	\$ 0	\$ (100,000)	\$ 195,947	\$ 295,947

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	JAIL FUND			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u>	<u>Final Budget</u>
			<u>(Budgetary</u>	<u>Positive</u>
			<u>Basis)</u>	<u>(Negative)</u>
REVENUES				
Intergovernmental Revenue	\$ 711,213	\$ 711,213	\$ 606,661	\$ (104,552)
Charges for Services	50,500	50,500	34,699	(15,801)
Miscellaneous	39,700	39,700	60,158	20,458
Interest	1,000	1,000	191	(809)
Total Revenues	802,413	802,413	701,709	(100,704)
EXPENDITURES				
Protection to Persons and Property	1,151,725	1,347,883	1,310,302	37,581
Administration	313,565	397,407	248,404	149,003
Total Expenditures	1,465,290	1,745,290	1,558,706	186,584
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(662,877)	(942,877)	(856,997)	85,880
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	656,877	656,877	853,000	196,123
Total Other Financing Sources (Uses)	656,877	656,877	853,000	196,123
Net Changes in Fund Balance	(6,000)	(286,000)	(3,997)	282,003
Fund Balance - Beginning	6,000	6,000	12,087	6,087
Fund Balance - Ending	\$ 0	\$ (280,000)	\$ 8,090	\$ 288,090

BOURBON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**BOURBON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2009

BOURBON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Local Government Economic Assistance Fund	State Grant Fund	Wright House Fund	Phase I Fund	Health and Welfare Fund
ASSETS					
Cash and Cash Equivalents	\$ 60,758	\$	\$ 21,291	\$ 26,674	\$ 17,239
Cash and Cash Equivalents - Non-Expendable Trust					
Bonds - Government					
Bonds - Corporate					
Mutual Funds - Fixed					
Mutual Funds - Equity					
Mutual Funds - Taxable					
Total Assets	<u>60,758</u>		<u>21,291</u>	<u>26,674</u>	<u>17,239</u>
FUND BALANCES					
Reserved:					
Encumbrances	36				
Permanent Funds					
Unreserved:					
Special Revenue Funds	<u>60,722</u>		<u>21,291</u>	<u>26,674</u>	<u>17,239</u>
Total Fund Balances	<u>\$ 60,758</u>	<u>\$ 0</u>	<u>\$ 21,291</u>	<u>\$ 26,674</u>	<u>\$ 17,239</u>

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2009
(Continued)

Educational Trust Checking Fund	E.M. Costello Fund	Garth Fund	Thomas Costello Fund	Hamilton Fund	Robert Meteer Fund	Lucy Anderson Fund
\$ 369,070	\$	\$	\$	\$	\$	\$
	1,123	3,863	212	425	57,168	14,634
	39,136	115,084	5,478	10,953		
					249,450	
					105,000	120,000
					363,693	135,609
					60,086	147,113
<u>369,070</u>	<u>40,259</u>	<u>118,947</u>	<u>5,690</u>	<u>11,378</u>	<u>835,397</u>	<u>417,356</u>
	40,259	118,947	5,690	11,378	835,397	417,356
<u>369,070</u>						
<u>\$ 369,070</u>	<u>\$ 40,259</u>	<u>\$ 118,947</u>	<u>\$ 5,690</u>	<u>\$ 11,378</u>	<u>\$ 835,397</u>	<u>\$ 417,356</u>

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2009
(Continued)

	Harrell- Kennedy Fund	Elaine Hinkle Fund	Lou Redmon Fund	Howard Forquer Fund	May Goff Fund
ASSETS					
Cash and Cash Equivalents	\$	\$	\$	\$	\$
Cash and Cash Equivalents - Non-Expendable Trust	1,480	605	2,478	66,500	1,847
Bonds - Government				24,906	
Bonds - Corporate				49,333	
Mutual Funds - Fixed	22,306	8,578	16,976	50,000	31,000
Mutual Funds - Equity	11,286	19,705	12,169	359,575	29,288
Mutual Funds - Taxable			3,570	65,508	5,949
Total Assets	<u>35,072</u>	<u>28,888</u>	<u>35,193</u>	<u>615,822</u>	<u>68,084</u>
FUND BALANCES					
Reserved:					
Encumbrances					
Permanent Funds	35,072	28,888	35,193	615,822	68,084
Unreserved:					
Special Revenue Funds					
Total Fund Balances	<u>\$ 35,072</u>	<u>\$ 28,888</u>	<u>\$ 35,193</u>	<u>\$ 615,822</u>	<u>\$ 68,084</u>

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2009
(Continued)

Talbott Clay Fund	Frances Champ Fund	FM Gillespie Fund	Ella Davis Fund	Total Non-Major Governmental Funds
\$	\$	\$	\$	\$ 495,032
15,641	2,072	6,374	1,825	176,247
	49,801			245,358
		24,395		323,178
115,000		79,000	35,625	583,485
139,465		98,402	32,725	1,201,917
70,621				352,847
<u>340,727</u>	<u>51,873</u>	<u>208,171</u>	<u>70,175</u>	<u>3,378,064</u>
				36
340,727	51,873	208,171	70,175	2,883,032
				494,996
<u>\$ 340,727</u>	<u>\$ 51,873</u>	<u>\$ 208,171</u>	<u>\$ 70,175</u>	<u>\$ 3,378,064</u>

The accompanying notes are an integral part of the financial statements.

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BOURBON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

BOURBON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Local Government Economic Assistance Fund	State Grant Fund	Wright House Fund	Phase I Fund
REVENUES				
Intergovernmental	\$ 78,154	\$ 512,192	\$	\$ 623,693
Miscellaneous			3,828	2,951
Investment Income	405		20	1,191
Total Revenues	<u>78,559</u>	<u>512,192</u>	<u>3,848</u>	<u>627,835</u>
EXPENDITURES				
General Government			1,524	
Protection to Persons and Property	56,527			
Social Services				
Roads		512,192		
Capital Projects	50,000			
Administration				718,573
Total Expenditures	<u>106,527</u>	<u>512,192</u>	<u>1,524</u>	<u>718,573</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(27,968)</u>		<u>2,324</u>	<u>(90,738)</u>
OTHER FINANCING SOURCES (USES)				
Transfer To Other Funds				
Transfers From Other Funds				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(27,968)		2,324	(90,738)
Fund Balances - Beginning	88,726		18,967	117,412
Fund Balances - Ending	<u>\$ 60,758</u>	<u>\$ 0</u>	<u>\$ 21,291</u>	<u>\$ 26,674</u>

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

Health and Welfare Fund	Educational Trust Checking Fund	E.M. Costello Fund	Garth Fund	Thomas Costello Fund	Hamilton Fund
\$	\$	\$	\$	\$	\$
	3,111				
248	2,037	3,294	7,656	425	850
248	5,148	3,294	7,656	425	850
1,598	122,654	65	1,407	365	657
1,598	122,654	65	1,407	365	657
(1,350)	(117,506)	3,229	6,249	60	193
		(2,183)	(7,567)	(360)	(785)
	154,540				
	154,540	(2,183)	(7,567)	(360)	(785)
(1,350)	37,034	1,046	(1,318)	(300)	(592)
18,589	332,036	39,213	120,265	5,990	11,970
\$ 17,239	\$ 369,070	\$ 40,259	\$ 118,947	\$ 5,690	\$ 11,378

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

	Robert Meter Fund	Lucy Anderson Fund	Harrell - Kennedy Fund	Elaine Hinkle Fund
REVENUES				
Intergovernmental	\$	\$	\$	\$
Miscellaneous				
Investment Income	26,210	13,527	1,251	1,141
Total Revenues	<u>26,210</u>	<u>13,527</u>	<u>1,251</u>	<u>1,141</u>
EXPENDITURES				
General Government				
Protection to Persons and Property				
Social Services	45,918	3,645	416	205
Roads				
Capital Projects				
Administration				
Total Expenditures	<u>45,918</u>	<u>3,645</u>	<u>416</u>	<u>205</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(19,708)</u>	<u>9,882</u>	<u>835</u>	<u>936</u>
OTHER FINANCING SOURCES (USES)				
Transfer To Other Funds		(14,347)	(1,148)	(397)
Transfers From Other Funds				
Total Other Financing Sources (Uses)		<u>(14,347)</u>	<u>(1,148)</u>	<u>(397)</u>
Net Change in Fund Balances	(19,708)	(4,465)	(313)	539
Fund Balances - Beginning	855,105	421,821	35,385	28,349
Fund Balances - Ending	<u>\$ 835,397</u>	<u>\$ 417,356</u>	<u>\$ 35,072</u>	<u>\$ 28,888</u>

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

Lou Redmon Fund	Howard Forquer Fund	May Goff Fund	Talbott Clay Fund	Frances Champ Fund	FM Gillespie Fund	Ella Davis Fund
\$	\$	\$	\$	\$	\$	\$
1,226	19,058	2,090	10,887	4,128	6,551	1,866
1,226	19,058	2,090	10,887	4,128	6,551	1,866
443	3,259	432	10,084	1,212	7,745	2,534
443	3,259	432	10,084	1,212	7,745	2,534
783	15,799	1,658	803	2,916	(1,194)	(668)
(1,196)	(17,813)	(2,085)		(4,059)		
(1,196)	(17,813)	(2,085)		(4,059)		
(413)	(2,014)	(427)	803	(1,143)	(1,194)	(668)
35,606	617,836	68,511	339,924	53,016	209,365	70,843
\$ 35,193	\$ 615,822	\$ 68,084	\$ 340,727	\$ 51,873	\$ 208,171	\$ 70,175

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

	Total Non-Major Governmental Funds
REVENUES	
Intergovernmental	\$ 1,214,039
Miscellaneous	9,890
Investment Income	104,061
Total Revenues	<u>1,327,990</u>
EXPENDITURES	
General Government	1,524
Protection to Persons and Property	56,527
Social Services	202,639
Roads	512,192
Capital Projects	50,000
Administration	718,573
Total Expenditures	<u>1,541,455</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(213,465)</u>
OTHER FINANCING SOURCES (USES)	
Transfer To Other Funds	(51,940)
Transfers From Other Funds	154,540
Total Other Financing Sources (Uses)	<u>102,600</u>
Net Change in Fund Balances	(110,865)
Fund Balances - Beginning	<u>3,488,929</u>
Fund Balances - Ending	<u><u>\$ 3,378,064</u></u>

The accompanying notes are an integral part of the financial statements.

BOURBON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Other Supplementary Information

BOURBON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

Fiscal Year Ended June 30, 2009

Federal Grantor

Program Title

Grant Name (CFDA #)

Pass-Through

Grantor's Number

Expenditures

Provided to

Subrecipient

Cash Programs:

U.S. Department of Homeland Security

Passed Through Kentucky Office of Homeland Security

Disaster Grants - Public Assistance

(Presidentially Declared Disasters

(CFDA # 97.036)

FEMA-1818-DR-KY

\$ 84,169

U.S. Department of Justice

Passed Through Kentucky Justice and Public Safety Cabinet:

Violence Against Women Act Court Training

and Improvement Grant

(CFDA # 16.588)

6779-VA 2-1007

14,627

VA WA-2008-00043

17,032

Total U.S. Department of Justice

31,659

U.S. Department of Transportation

Passed Through Kentucky Transportation Cabinet:

Highway Planning and Construction -

Duncan Tavern Grant Phase V

PO2-628-0600003059

118,890

Industrial Park Access Road -

Paris/Bourbon Economic Development Authority

7-120.00

512,192

\$ 512,192

(CFDA # 20.205)

Total U.S. Department of Transportation

631,082

U.S. Election Assistance Commission

Passed Through Kentucky State Board of Elections:

Help America Vote Act Requirements

Payments

Not Available

81,000

(CFDA # 90.401)

Total Expenditures of Federal Awards

\$ 827,910

\$ 512,192

BOURBON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2009

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal activity of Bourbon County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Sub-recipients

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Bourbon County Fiscal Court provided federal awards totaling \$512,192 to the following sub-recipient: Paris/Bourbon County Economic Development Authority.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



The Honorable Donnie Foley, Bourbon County Judge/Executive
Members of the Bourbon County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated November 18, 2009. Bourbon County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bourbon County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bourbon County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bourbon County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2009-01, 2009-02, 2009-03, 2009-04, 2009-05, and 2009-06 to be significant deficiencies in internal control over financial reporting.

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Bourbon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Bourbon County Judge/Executive's responses to the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Bourbon County Judge/Executive's responses and, accordingly, we express no opinion on them.

We noted certain other matters that we reported to management of Bourbon County Fiscal Court in the exit conference on November 9, 2009.

This report is intended solely for the information and use of management, the Bourbon County Fiscal Court, the Department for Local Government, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Cotton and Allen, P.S.C
Certified Public Accountants and Advisors

November 18, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



The Honorable Donnie Foley, Bourbon County Judge/Executive
Members of the Bourbon County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Bourbon County, Kentucky, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. Bourbon County's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Bourbon County's management. Our responsibility is to express an opinion on Bourbon County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bourbon County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bourbon County's compliance with those requirements.

As described in item 2009-07 in the accompanying Schedule of Findings and Questioned Costs, Bourbon County Fiscal Court did not comply with requirements regarding the Davis-Bacon Act that are applicable to its Highway Planning and Construction (CFDA # 20.205) grant. Compliance with such requirements is necessary, in our opinion, for Bourbon County Fiscal Court to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Bourbon County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2009.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Bourbon County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bourbon County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bourbon County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2009-07, 2009-08, and 2009-09 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2009-07 to be a material weakness.

The Bourbon County Judge/Executive's responses to the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Bourbon County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Bourbon County Fiscal Court, the Department for Local Government, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Respectfully submitted,



Cotton and Allen, P.S.C.
Certified Public Accountants and Advisors

November 18, 2009

BOURBON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2009

BOURBON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2009

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bourbon County.
2. Six significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report. These deficiencies are not considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of Bourbon County, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. Three significant deficiencies relating to the audit of the major federal awards program are reported in the Independent Auditor's Report. One deficiency is considered to be a material weakness and two deficiencies are not considered to be material weaknesses.
5. The auditor's report on compliance for the audit of the major federal awards program for Bourbon County expresses a qualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in part C of this schedule.
7. The program tested as a major program was: Highway Planning and Construction (CFDA # 20.205).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Bourbon County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2009-01 The Fiscal Court Should Review Its IT Systems And Ensure That Appropriate Safeguards Are In Place To Ensure The Continued Security Of The Fiscal Court's Data

Criteria: A strong IT environment is essential to the maintenance of the electronic data held by the County and to prevent unauthorized access to the County's computer systems.

Condition: The County's IT environment is a simple structure. However, the County lacks formal policies and procedures in place that can improve its IT systems, namely:

- The County does not have a written policy that addresses password privacy.
- The County does not have a written computer usage policy.
- The County does not have a written disaster recovery plan or have processes in place to perform periodic testing of the plan.

Cause: The simple nature of the structure has led to these items being overlooked.

Effect or Potential Effect: Unauthorized access to the County's computers could result in the loss of data, violation of privacy rules and regulations and losses to the County through misappropriation of cash. The irrecoverable loss of data could compromise the County's ability to provide the necessary financial information for reporting to the Fiscal members or the citizenry.

Recommendation: We recommend that the County review the report entitled "Information Systems – Best Practices" issued by Crit Luallen on August 4, 2009. The County should have a full IT review performed to ensure that the IT environment is adequately protected.

BOURBON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2009
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

- 2009-01 The Fiscal Court Should Review Its IT Systems And Ensure That Appropriate Safeguards Are In Place To Ensure The Continued Security Of The Fiscal Court's Data
 (Continued)

County Judge/Executive Response: We've already given Blackwell Associates a copy of the printout from the State Auditor's office for review. They will get back with us for any suggestions. The Treasurer's Office does backups daily (3 separate ones).

- 2009-02 The Fiscal Court Does Not Have A Policy Or Procedure To Match Jail Fund Cash Receipts To Invoices

Criteria: The County should have a policy and procedure to ensure that cash receipts are matched to amounts billed to ensure that all amounts billed are collected in full.

Condition: The Jailer is responsible for creating and sending bills to relevant third parties. The Treasurer receives the payments and posts the receipts to the cash receipts ledger. Amounts billed by the Jailer are not compared to cash receipts to ensure that all amounts billed are collected.

Cause: There is no policy or procedure to ensure coordination between the Treasurer and the Jailer.

Effect or Potential Effect: Amounts billed could remain uncollected, resulting in lost revenue for the County.

Recommendation: We recommend that a procedure is implemented to ensure that cash receipts are matched to amounts billed and that either the Treasurer or the Jailer be made responsible for ensuring that all amounts billed are collected.

County Judge/Executive Response: Billings for housing state and other county inmates are now brought to the Treasurer at the end of each month so we can match payments when received.

- 2009-03 The Jailer Did Not Maintain An Adequate Cash Disbursements Journal, Properly Reconcile The Bank Account, Or Provide An Annual Financial Statement To The Treasurer As Required By The Fiscal Court And Kentucky Statute

Criteria: The State Local Finance Officer has prescribed the minimum accounting and reporting requirements pursuant to KRS 68.210. These are to be utilized by County Jailers for jail canteen funds maintained pursuant to KRS 441.135. These requirements include, but not limited to, the Jailer submitting an annual financial report to the County treasurer.

Condition: The Jailer did not meet the minimum accounting and reporting requirements pursuant to KRS 68.210, or submit an annual financial report to the County treasurer as required by KRS 441.135(2).

Cause: The Fiscal Court's limited size and staffing resources have made it difficult for the Jailer to meet the requirements in a cost-effective manner.

Effect or Potential Effect: The County is not in compliance with applicable State Law. Additionally, errors in the report may remain undetected.

BOURBON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2009
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

2009-03 The Jailer Did Not Maintain An Adequate Cash Disbursements Journal, Properly Reconcile The Bank Account, Or Provide An Annual Financial Statement To The Treasurer As Required By The Fiscal Court And Kentucky Statute
 (Continued)

Recommendation: We recommend the fiscal court require the Jailer maintain a detailed cash disbursements journal, prepare accurate bank reconciliations on a timely basis that include a list of reconciling items, and to submit an annual financial report at the end of each fiscal year to the Treasurer.

County Judge/Executive Response: Annual report was prepared with exception to no outstanding checks listed. The jail will provide us with a list. We have talked numerous times to jail personnel as to the importance of this!

2009-04 Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For

Criteria: Based on review of the Bourbon County Detention Center Policy and Procedure Manual, it appears that a policy and plan for collection of inmate accounts receivables is in place.

Condition: Financial records to substantiate accounts receivable were not available for the audit period. Also, monitoring of accounts receivable balances or collections of accounts receivable is not done by the Jailer or Fiscal Court.

Cause: The Fiscal Court's limited size and staffing resources have made it difficult for the Jailer to meet the requirements in a cost-effective manner.

Effect or Potential Effect: Amounts billed could remain uncollected, resulting in lost revenue for the County.

Recommendation: We recommend the Fiscal Court and Jailer implement policies and procedures to ensure accounts receivable from inmates are maintained and collected. These policies and procedures should include but not be limited to:

- Policies and procedures to track and collect accounts receivable from inmates.
- A formal collection process, i.e. turn over to County Attorney, contract with a collection agency, or designate a staff member to actively attempt collection.
- Accounts receivable records maintenance and collection of amounts due from returning former inmates.
- Monitoring accounts receivable balances and implementing a policy with regard to aging of accounts receivable and subsequent write off of uncollectible accounts.

County Judge/Executive Response: Will show this to current jail administrator and stress the importance of this matter yet again!

BOURBON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2009
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

**2009-05 Bank Reconciliations For All Funds And Accounts Of The County Should Be Reviewed By
An Individual Independent Of The Preparer**

Criteria: The accurate and timely preparation of the bank reconciliation is an essential control to ensure the accuracy of the cash receipts and appropriations ledgers, and therefore, accurate financial reporting.

Condition: Through our understanding of the County's internal control procedures, it was noted that the Assistant Treasurer prepares bank reconciliation for the Health and Welfare Fund, payroll fringe account, payroll fund, and each account that comprise the Educational Trust Checking Fund. There is no indication that the bank reconciliations prepared by the Assistant Treasurer are independently reviewed by another individual.

Cause: The Fiscal Courts' limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Errors in the financial statements may occur and/or remain undetected.

Recommendation: We recommend that the Treasurer or another independent party review the bank reconciliations to ensure that they are prepared accurately and on a timely basis. The individual performing the review should also review the reconciliations for unusual items, and to ensure that reconciling items are investigated and cleared on a timely basis. Once this review has been performed, the reviewer should sign the reconciliation as evidence of the review.

County Judge/Executive Response: Assistant Treasurer prepares these now. We will assign another individual to review her work each month.

**2009-06 The Fiscal Court Is Not Paying All Invoices Within 30 Days Of Receipts As Required By
Kentucky Statute**

Criteria: KRS 65.140 states that all bills for goods or services shall be paid within thirty (30) working days of receipt of vendor's invoice except that when payment is delayed because the purchaser has made a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor.

Condition: We identified 6 invoices, from a sample of 40 that had not been paid within the required 30 days, and there was no documentation that the delay was the result of the County making a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor.

Cause: It appears that the delays were caused by administrative oversights.

Effect or Potential Effect: The County is not in compliance with KRS 65.140.

Recommendation: We recommend that the County ensure compliance with KRS 65.140.

County Judge/Executive Response: We will stress to Jail and Sheriff the importance of their submitting bills on a timely fashion. We will also get Hinkle Contracting to send us a letter stating they know blacktop work done in spring/summer months will be paid in full when county road aid monies and especially tax monies are received from Sheriff in fall each year (as has been our normal but unwritten policy).

BOURBON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2009
(Continued)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

2009-07 The Fiscal Court Should Implement Procedures To Ensure Compliance With The Davis-Bacon Act

Federal Program: CFDA #20.205 - Highway Planning and Construction
 Federal Agency: U.S. Department of Transportation
 Compliance Area: Davis-Bacon Act
 Amount of Questioned Costs: \$118,890

Criteria: As a recipient of federal funds, the County's grant agreements stipulated that the County shall comply with the Davis-Bacon and Related Acts for contracts in excess of \$2,000 for the construction, alteration, and/or repair of public buildings or public works, including painting and decorating. These Acts require all contractors and subcontractors to pay the various classes or laborers and mechanics employed on the contract the wage rates and fringe benefits determined by the Secretary of Labor to be prevailing for corresponding classes of employees engaged on similar projects in the locality. In addition, the Act requires that certain labor standards provisions be specified in the contract awarded to the successful bidder. Further, applicable wage determination must also be included in the contract documents.

Condition: The Fiscal Court did not include the relevant wording in all contracts with vendors, and did not ensure contractors involved in federal projects submitted the required certified payroll reports and did not monitor compliance with the Davis-Bacon Act.

Cause: The County erroneously omitted the Davis-Bacon Act provision from the bid specifications and from the contract awarded.

Effect or Potential Effect: The County is not in compliance with applicable laws, regulations and the provisions of contracts and grant agreements.

Questioned Cost: The Fiscal Court did not have the appropriate documentation to support the requirement that payments made to the construction company were in accordance with local prevailing wages, therefore, the payments to the construction company (\$118,890) have been classified as questioned costs.

Recommendation: We recommend that the Fiscal Court take steps to ensure that policies and procedures are in place to provide reasonable assurance that:

- The Fiscal Court's control environment is conducive to and reflects an appropriate management attitude toward internal control in regard to Davis-Bacon Act monitoring
- The Fiscal Court implements policies and procedures to provide reasonable assurance that laborers employed by contractors are paid prevailing wage rates for projects covered by the Davis-Bacon Act
- The Fiscal Court receives and reviews certified payrolls as required and takes appropriate action for known departures.

County Judge/Executive Response: The county will insist that all projects receiving federal dollars no matter the size must include prevailing wages must be part of their scope of work. The architect with the Duncan Tavern did not realize it included all projects but thought since theirs was \$200,000.00 they were o.k.

BOURBON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2009
(Continued)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

2009-08 The Fiscal Court Does Not Have A Procedure In Place To Formally Monitor Sub-Recipients

Federal Program: CFDA #20.205 - Highway Planning and Construction
 Federal Agency: U.S. Department of Transportation
 Compliance Area: Subrecipient Monitoring
 Amount of Questioned Costs: \$0

Criteria: The Fiscal Court is responsible for monitoring of sub-recipients. The main objects of sub-recipient monitoring is to provide reasonable assurance that federal award information and compliance requirements are identified to sub-recipients, sub-recipient activities are monitored, sub-recipient audit findings are resolved and the impact of any sub-recipient non-compliance on the pass-through entity is evaluated. The pass-through entity should also perform procedures to provide reasonable assurance that the sub-recipient has required audits performed and has taken appropriate corrective action on audit findings.

Condition: The County did not sufficiently monitor sub-recipient awards, and there was no formal written agreement between the Fiscal Court and the sub-recipient to document the terms and conditions of the award.

Cause: The Fiscal Court lacked awareness of all of the requirements and responsibilities regarding sub-recipient monitoring under federal grants.

Effect or Potential Effect: The County is not in compliance with applicable laws, regulations and the provisions of contracts and grant agreements.

Recommendation: We recommend that the County better monitor all sub-recipient awards as well as develop written agreements, signed by both parties that fully explain the federal grant requirements and includes other appropriate language to protect the County and document the County's compliance regarding sub-recipient monitoring.

County Judge/Executive Response: County will require all sub-recipients to be aware of Davis-Bacon Act and their contractors' names are provided to the county.

2009-09 The Fiscal Court Does Not Have A Policy And Procedure In Place To Ensure That A Contractor Has Not Been Suspended Or Debarred

Federal Program: CFDA #20.205 - Highway Planning and Construction
 Federal Agency: U.S. Department of Transportation
 Compliance Area: Procurement, Suspension, and Debarment
 Amount of Questioned Costs: \$0

Criteria: As a recipient of federal awards, the County is responsible for complying with State and Federal procurement policies. These policies include the requirement to ensure that companies or individuals receiving federal funds are not disbarred and on the *Excluded Parties List System* ("EPLS") maintained by the General Services Administration (GSA).

Condition: The County does not have a policy or procedures in place to verify that a contractor has not been suspended or debarred.

BOURBON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2009
(Continued)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

2009-09 The Fiscal Court Does Not Have A Policy And Procedure In Place To Ensure That A
Contractor Has Not Been Suspended Or Debarred
(Continued)

Cause: The County was not fully aware of all of the procurement requirements.

Effect or Potential Effect: The County is not in compliance with applicable laws, regulations and the provisions of contracts and grant agreements.

Recommendation: We recommend that the County comply with federal procurement policies in the future and ensure that a contractor has not been suspended or debarred.

County Judge/Executive Response: Auditor with Cotton and Allen has given us a web-site we can go to in order to check on the status of contractors.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior audit findings.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BOURBON COUNTY FISCAL COURT

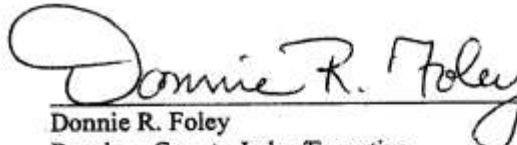
**For The Fiscal Year Ended
June 30, 2009**

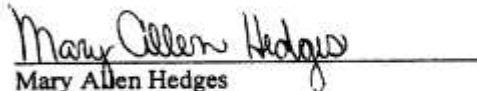
Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BOURBON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Bourbon County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Donnie R. Foley
Bourbon County Judge/Executive


Mary Allen Hedges
Bourbon County Treasurer

